

A large graphic celebrating 20 years. The number '20' is rendered in a thick, white, stylized font with a dark blue outline. Below the '0', the word 'YEARS' is written in a white, sans-serif font. The background is a dark blue gradient with various digital and technical icons in shades of blue and purple, including gears, hexagons, arrows, and data-like patterns.

20 YEARS

Latin America (LatAm) Investment Banking Update

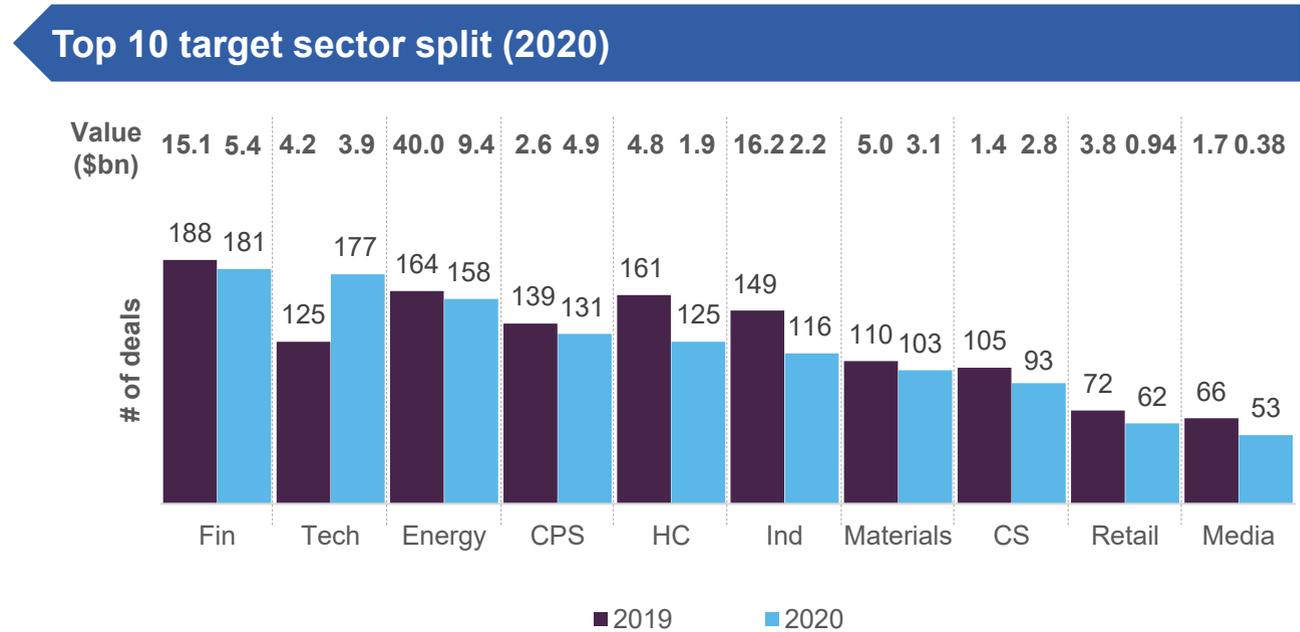
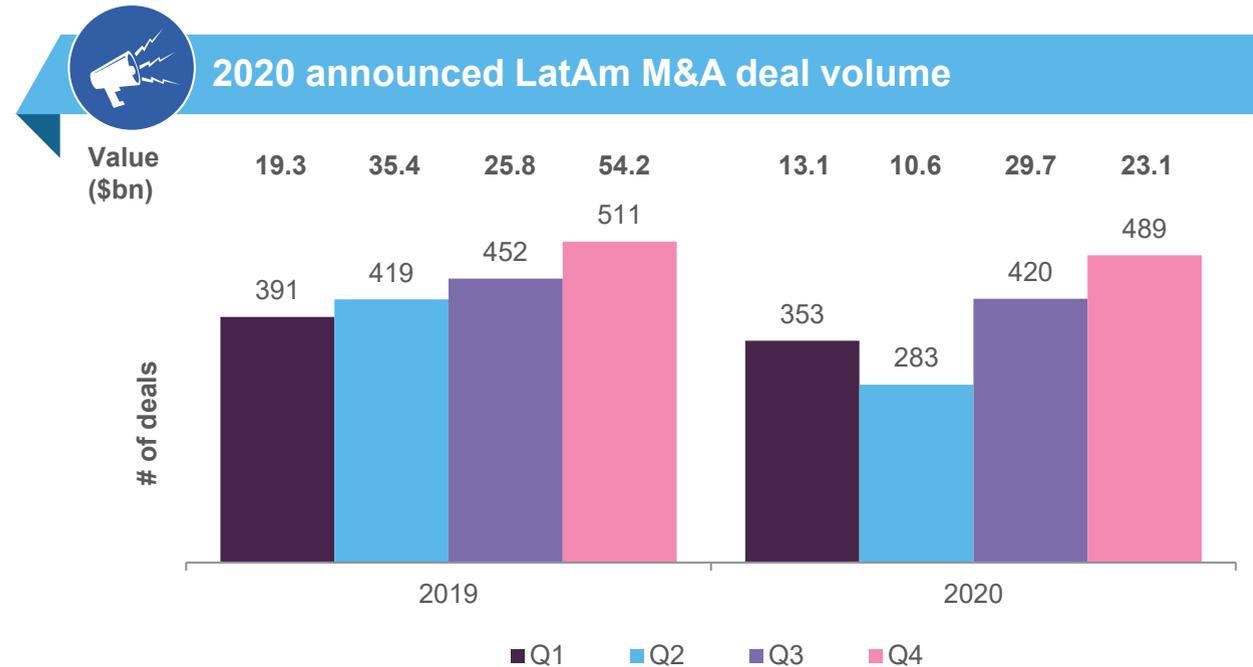
FY 2020

April 2021

EVALUESERVE

LatAm M&A activity slowed in 2020 due to volatility caused by COVID-19

Excluding high-end technology, deal volumes largely declined across all top sectors



- In-line with global trends, deal activity in Latin America was adversely impacted primarily due to COVID-19. The pandemic led to a bearish and cautious approach in Q2 2020 in major economies such as Brazil where PMI declined from 50.4 in March 2020 to 27.4 in May 2020.
- Deal volumes declined 32.5% y/y in Q2 2020 but the pace of decline recovered to a 7.1% y/y decline in Q3 2020 and further to 4.3% decline in Q4 2020.
- Financials, High-technology and Energy led deal activity in 2020. Deal volumes in High-end technology sector increased 42% y/y in 2020 while volumes in other two sectors largely remained unchanged.
 - However, the deal value declined significantly across all sectors except for Consumer sectors (both products and services as well as staples). Total deal value declined 58% y/y to ~\$35bn in 2020 from \$95bn across the top 10 sectors.
 - Energy and Power segment was the most impacted sector in deal value and accounted for ~\$30bn decline in deal value. The decline in Energy and Power deal value was primarily due to distressed asset sales and decline in benchmark crude prices which turned negative for a day.
- Within LatAm, Brazil remains the dominant market. With 801 deals, the country dwarfs other major LatAm economies which accounted for a combined 321 deals.

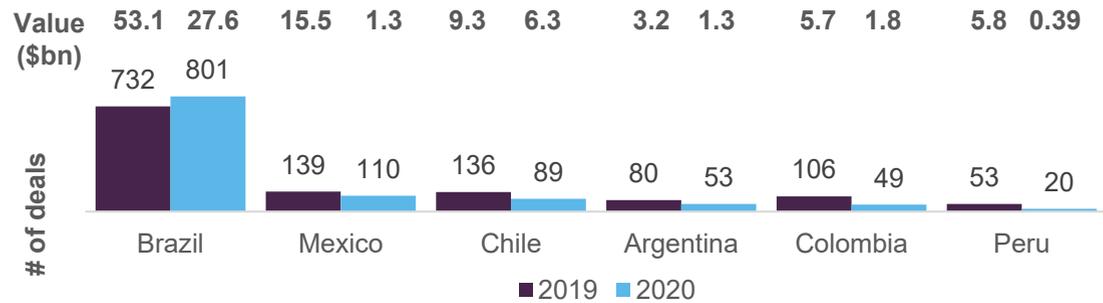
Energy = Energy & Power; Fin = Financials; CPS = Consumer Products and Services; RE = Real Estate; Tech = High-End Technology; CS = Consumer Staples; Ind = Industrials' HC = Healthcare

Deal volumes declined through most of Latin America in 2020

However, M&A markets remained active in Brazil which is also the largest market in LatAm



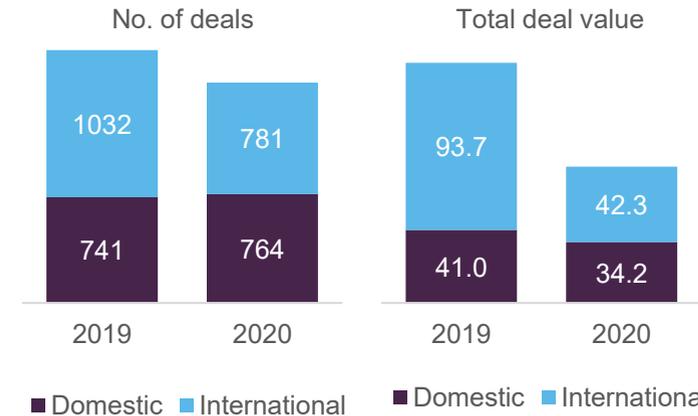
Country-wise Deals (for LatAm Targets)



Y/Y volume change (2020)

+9% -21% -35% -34% -54% -62%

Cross Border vs Domestic Deals in 2020



- 51% of the deals with LatAm targets had foreign buyers in 2020. In comparison, in 2019 58% of the deals had foreign acquirers.
- International deal count declined 24% y/y in 2020. However, international deal volumes still outnumbered domestic deals.



Brazil accounts for almost three-quarter of deal volumes in Latin America

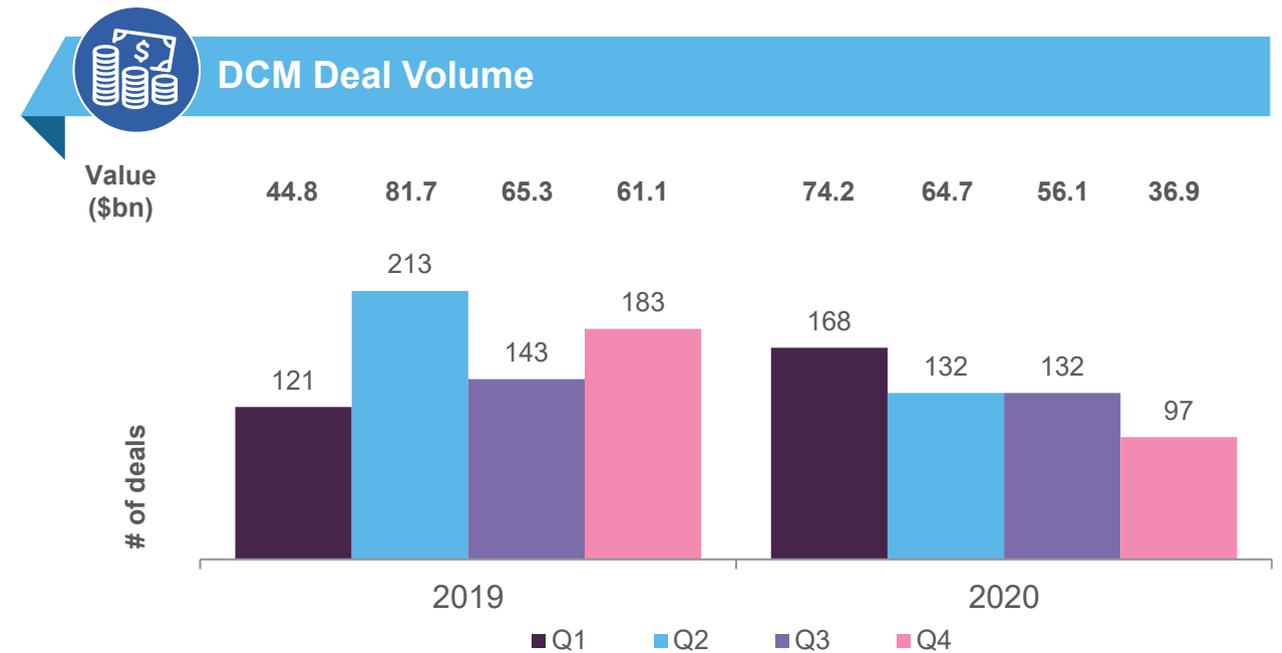
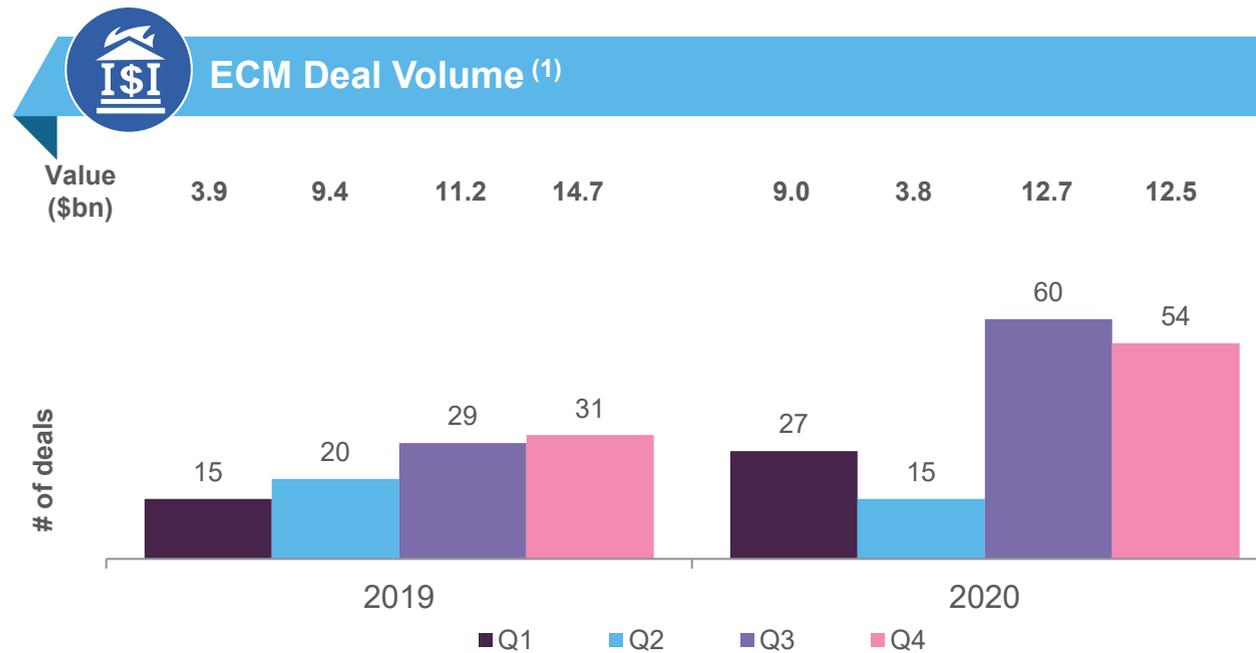
| Countries of targets | Countries of acquirers | | | | | | | | | |
|----------------------|------------------------|-----------|-----------|-----------|-----------|-----------|---------------|-------------|--------------------|-------------|
| | Latin America | | | | | | Rest of LatAm | US / Canada | RoW ⁽¹⁾ | Total |
| | Brazil | Mexico | Chile | Colombia | Argentina | Peru | | | | |
| Brazil | 670 | 6 | 2 | - | 2 | - | 7 | 46 | 68 | 801 |
| Mexico | - | 41 | 1 | 2 | 1 | - | - | 32 | 33 | 110 |
| Chile | - | 4 | 49 | 1 | - | 3 | 2 | 13 | 17 | 89 |
| Colombia | 2 | 1 | 2 | 9 | - | 2 | 3 | 12 | 18 | 49 |
| Argentina | 4 | 3 | - | - | 25 | - | 2 | 10 | 9 | 53 |
| Peru | - | 1 | - | - | - | 8 | - | 5 | 6 | 20 |
| Total | 676 | 56 | 54 | 12 | 28 | 13 | 14 | 118 | 151 | 1122 |

Source: Refinitiv

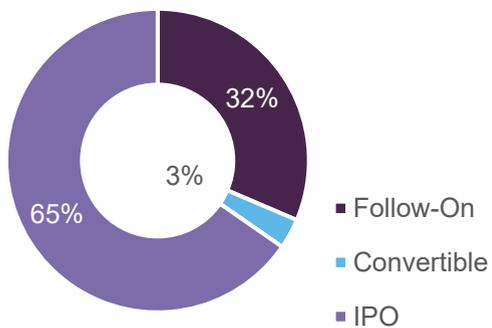
Note: 1. RoW includes deals with undisclosed acquirers.

Increase in IPOs led to increased ECM activity partly offset by lower FPO activity

However, DCM volumes declined due to lower activity across all instrument classes

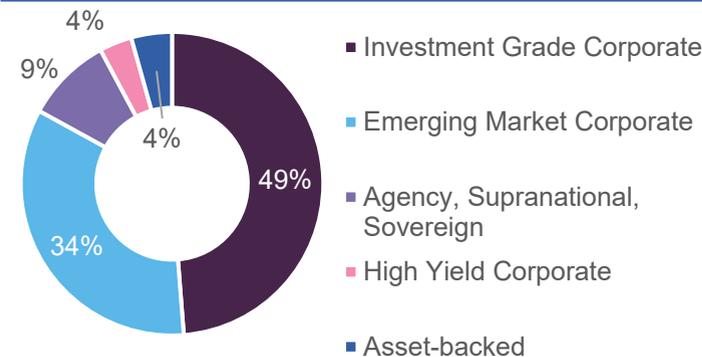


2020 ECM Deals by Offerings



- ECM underwriting volumes increased ~70% in 2020, as firms tapped equity markets for funding capex and liquidity.
- IPO offerings increased more than six times in 2020 to 102 compared to 16 in 2019.
- A recovery in BOVESPA in Brazil by end-July 2020 following the rout in March 2020 restored investor confidence and has led to higher IPO activity.

2020 DCM Deals by Offerings



- DCM volumes declined 20% y/y in 2020 to 529 issuances.
- However, investment grade corporate debt issuances increased 5% y/y to ~\$136bn. Expectedly, high-yield debt issuances declined 13% y/y due to solvency concerns amidst pandemic.

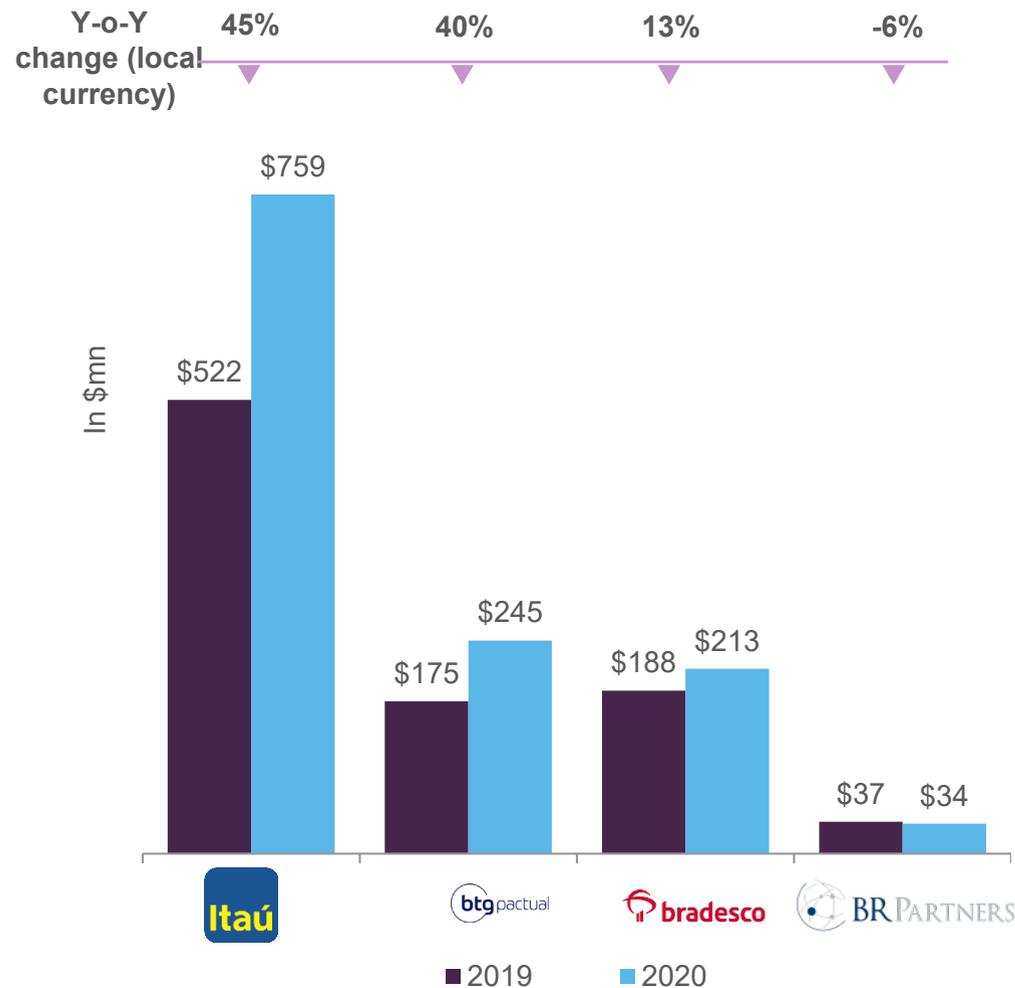
Source: Refinitiv
Note: 1. Includes only announced, in-progress and live deals.

Major Latin American Banks with Advisory Business

High deal activity led to growth in revenues in major banks



Fees/Commission from Corporate Finance and Brokerage Activities ^(1,2)



Higher capital markets activity resulted in growth in revenue from advisory and brokerage activities. In 2020, Itau provided advisory services in 47 M&A transactions in South America with a total value of ~\$8.2bn.

Itau also participated in 39 transactions in South America in 2020 with a total value of ~\$3.1bn. In DCM, participated in local operations with debentures, promissory notes and securitization transactions, which totaled BRL6.94bn (~\$1.3bn) in 2020

However, on a quarterly basis, revenue declined for the bank in 4Q20 due to lower volume of operations in the market.



BTG recorded its best ever year in ECM revenues in 2020 due to higher deal activity in Brazil. The DCM segment had the best quarter ever as well boosted by activity in Brazil as well.



The bank participated in 200 investment banking transactions with a value of R\$333.1bn. Fee and commission income increased in line with higher deal activity in Brazil.



The bank had a slightly lower revenue in 2020. However, its profitability from the operations increased.

Source: Company reports

Note: 1. Fees includes fees/commission from brokerage, securities issues, securities/credit broking, advisory services, capital markets, corporate finance activities, as applicable to different banks. Y-o-Y change is in local currency

2. USD1 = 5.411BRL; USD1 = 712.67CLP

Local banks led the M&A advisory league tables in 2020

Brazil focused banks largely dominated league rankings; Credit Suisse and Citi were active ex-Brazil



Top Banks in the region

| Bank | Deal values ¹ (2020, \$bn) | of which: Brazil | Brazil share % | No. of deals (LatAm) | Market share (LatAm) | y/y change in ranking |
|---|---------------------------------------|------------------|----------------|----------------------|----------------------|--|
|  BTG Pactual | 8.93 | 8.86 | 99.2% | 49 | 15.4% |  11 |
|  BR Partners | 8.33 | 8.33 | 100% | 30 | 14.4% |  4 |
|  Goldman Sachs | 8.19 | 6.76 | 82.6% | 13 | 14.2% |  2 |
|  Itaú | 8.00 | 7.92 | 99.0% | 44 | 13.8% |  5 |
|  Credit Suisse | 7.61 | 0.43 | 5.6% | 8 | 13.2% |  11 |
|  Bank of America | 6.96 | 5.69 | 81.7% | 14 | 12.0% |  4 |
|  Citi | 6.04 | 1.90 | 31.5% | 13 | 10.5% |  3 |

Source: Refinitiv

Brazil accounted for ~70% of the deal volumes and value in LatAm

Capital recycling, debt reduction and energy transition were the top drivers of M&A



Consumer related businesses drove most of the deals



Most of the largest deals in Brazil were driven by sellers' desire to reduce debt or to recycle capital. Acquisitions/mergers were driven by their need to expand market share.

- **Reduction of debt/recycling of capital:**
 - Oi divested mobile business unit to consortium of TIM Participacoes, Telefonica Brasil and America Movil for \$3.2bn.
 - Takeda Pharmaceutical divests Brazilian OTC and prescription drug business to Hypera for \$825mn.
- **To increase market reach or expand distribution:**
 - Localiza and Unidas merged to create one of the largest car rental services in Brazil for ~\$2.2bn
 - Stone Participacoes merges with Linx in Brazil for ~\$1.2bn
 - Anima acquires Laureate Education's Brazilian ops for \$823mn
- **Corporate restructuring:**
 - Cosan carried out an internal corporate restructuring for ~\$1.6bn

Infrastructure and energy-related sectors drove ex-Brazil deals



Deals in ex-Brazil LatAm countries were primarily organized in utilities and energy-related sectors. Outside of Brazil, Chile accounted for most of the deals

- Most of the deals were inter-continental in nature with one of the sides in the transaction being based out of LatAm. **Energy transition and corporate consolidation** were the major drivers of the deals:
 - Sempra Energy acquired remaining stake in Infraestructura Energética in Mexico for ~\$1.8bn
 - Naturgy sold CGE to China's State Grid Corporation for ~\$3bn in Chile
 - Carlyle Group acquired Occidental's onshore oil and gas assets in Colombia for \$825mn
 - Enel has also launched a tender offer to further increase stake in Enel Americas for another ~\$1.5bn

Trends and Outlook



M&A activity



Brazil and Chile Continued the momentum

- While foreign investors largely pulled back from LatAm amid concerns over COVID-19, sustained interest in Brazil and Chile kept the M&A Advisors busy with Brazil as a clear frontrunner.



China targeted LatAm in 2020



- ~25% of China's outbound acquisitions were made in LatAm, \$7.7 bn, more than US and Europe combined, as a result of higher scrutiny in US and EU to hostile takeovers of strategic industries.



Weaker credit ratings can impact DCM activity

- While S&P confirmed 'BB-/B' ratings for Brazil; the pandemic has exacerbated some of Brazil's key structural weaknesses, primarily low economic growth, large fiscal imbalances, and high government debt burden.
- The region's rated infrastructure entities have been hit hard since the outbreak of pandemic in Latin America.
- Corporate defaults escalated between May and June but plateaued since then.



IPO Activity

- Globally after a slowdown in Q1 and Q2 due to the pandemic, a strong boost in IPO activity in Q3 saw the volume of listings more than double as compared with Q2 2020.
- Latin America raised \$9bn in 2020, which is an increase of 159% in capital raised versus 2019. With 29 listings in 2020, the region recorded a 314% growth in volume of activity.
- Growth in Brazil's IPO activity was the strongest in the region. With 26 IPOs in 2020 raising \$8bn, this is the first time Brazil saw its number of IPOs reach the double digits since 2017 and its largest number since 2007.



PE/VC in LatAm

- Acquisitions backed by Financial Sponsors increased by 54% in LatAm in 2020 from last year pertaining to undervaluation of industries.